

Message Text

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ORIGIN AF-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 /068 R

DRAFTED BY AF/C:WLSWING:LAR
APPROVED BY AF/C:WLSWING
AF:LWALKER (SUBS)
TREASURY:RBLAKE (INFO)
-----075631 111522Z /23
P 110005Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY KINSHASA PRIORITY

C O N F I D E N T I A L STATE 062874

E.O. 11652:GDS

TAGS: EAID, EFIN, CG, BE, US

SUBJECT: IMF STABILIZATION AGREEMENT AND MOBUTU PLAN

REF: STATE 060431

1. SUMMARY. IN DISCUSSION MARCH 9, BELGIAN IMF EXECUTIVE DIRECTOR JACQUES DE GROOTE, WHO WAS DIRECTOR GENERAL OF ZAIRE CENTRAL BANK 1966-69, PROVIDED AF OFFICERS GENERAL BRIEFING ON FUND'S VIEWS ON MOBUTU PLAN AND PROPOSED NEW IMF/ZAIRE STABILIZATION AGREEMENT FOLLOWING WASHINGTON VISIT BY ZAIRE FOREIGN MINISTER U'BA DI LUTETE AND PLANNING MINISTER MULUMBA. DE GROOTE LEFT DISTINCT IMPRESSION THAT IMF WAS ANXIOUS TO PROVIDE A DIRECTOR GENERAL FOR BANQUE DU ZAIRE. THIS, ALLIED WITH WHAT SEEMS TO BE A WILLINGNESS TO NEGOTIATE A THREE-YEAR STABILIZATION PROGRAM, AUGURS WELL AS REGARDS THE GENERAL PROSPECTS FOR THE MOBUTU PLAN
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AND OVERALL ZAIRIAN ECONOMIC AND FINANCIAL RECOVERY. END SUMMARY.

2. IMF PLANS TO SEND TWO TEAMS TO ZAIRE THIS MONTH. ONE WILL ARRIVE IN ZAIRE MARCH 28, LED BY ROLAND TENCONI, SENIOR ADVISER IN THE CENTRAL BANKING SERVICE, IN RESPONSE TO PRESIDENT MOBUTU'S REQUEST FOR IMF TO PROVIDE A

DIRECTOR GENERAL OF CENTRAL BANK OF ZAIRE. TENCONI'S

PRINCIPAL AIM WILL BE TO PIN DOWN THE COMPETENCIES AN IMF DIRECTOR GENERAL WOULD BE EXPECTED AND PERMITTED TO EXERCISE. IMF ALSO PLANS SHORTLY TO SEND A TEAM TO NEGOTIATE A NEW IMF STANDBY AGREEMENT. J.B. ZULU, DIRECTOR OF IMF'S AFRICAN DEPARTMENT, WILL HEAD THIS MISSION. DE GROOTE IS RECOMMENDING THAT THE STANDBY TEAM GO TO ZAIRE CONCURRENTLY WITH THE TENCONI MISSION IN THE INTEREST OF COORDINATION AND IN ORDER TO KEEP TO A MINIMUM ANY CONFUSION THAT VISIT OF TWO IMF TEAMS ON SEPARATE OCCASIONS MIGHT CREATE.

3. DE GROOTE FEELS STRONGLY ABOUT A THREE-YEAR EXTENDED FACILITY STANDBY PROGRAM FOR ZAIRE AND BELIEVES THAT HE CAN PERSUADE THE FUND TO ACCEPT A LONGER PROGRAM ON THE GROUNDS THAT IT (A) WOULD BE TOUGHER AND REQUIRE MUCH GREATER BUDGETARY AND FINANCIAL DISCIPLINE THAN THE TWO PREVIOUS ONE-YEAR AGREEMENTS; (B) WOULD GIVE ZAIRE ACCESS TO MORE SUBSTANTIAL CREDIT FACILITIES; AND (C) WOULD INDICATE TO ZAIRE'S CREDITORS AND POTENTIAL INVESTORS THAT MOBUTU IS PREPARED TO ACCEPT A TOUGHER PROGRAM THAN HERETOFORE. THIS LATTER POINT IN ITSELF, COULD BE AN IMPORTANT SIGNAL TO PRIVATE BANKERS AND POTENTIAL INVESTORS THAT ZAIRE IS SERIOUS ABOUT REFORM.

4. BOTH BELGIAN EMBASSY AND IMF REPS EMPHASIZE THAT
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THE SUCCESS OF THE MOBUTU DEVELOPMENT PLAN IS NECESSARILY LINKED TO THE CONCLUSION OF A SATISFACTORY IMF/ZAIRE AGREEMENT. DE GROOTE EXPRESSED CONFIDENCE THAT AN ACCORD WOULD BE SIGNED. NEITHER BELGIAN EMBASSY REPS NOR DE GROOTE THEREFORE SAW ANY SUBSTANTIVE REASON WHY A BRUSSELS MEETING (REFTEL) TO DISCUSS THE MOBUTU PLAN, AS FORESEEN, COULD NOT TAKE PLACE IN LATE MARCH-EARLY APRIL.

5. IN ADDITION TO THE DIRECTOR GENERAL POSITION AT ZAIRE'S CENTRAL BANK AND SPECIALISTS IN OTHER MINISTRIES -- PROBABLY FINANCE AND EDUCATION -- THE IMF HAS UNDER CONSIDERATION PLACEMENT IN KINSHASA OF A PERMANENT REPRESENTATIVE TO HELP INSURE COMPLIANCE WITH STABILIZATION TARGETS IN THE INTERIMS BETWEEN SIX-MONTHLY COMPLIANCE TEAM VISITS AND AS AN IMPORTANT INTEGRATIVE ELEMENT BETWEEN THE IMF STABILIZATION EFFORT AND THE MOBUTU PLAN.

6. DE GROOTE SAID FONMIN UMBA'S MEETING MARCH 3 WITH IMF MANAGING DIRECTOR JOHANNES WITTEVEEN HAD GONE VERY SMOOTHLY AND THAT THERE WAS A SUBSTANTIAL RESIDUE OF SYMPATHY AT THE FUND FOR ZAIRE'S ECONOMIC AND FINANCIAL PROBLEMS. DE GROOTE LEFT AF OFFICERS WITH DISTINCT IMPRESSION THAT

IMF WILL BE MAKING MAJOR EFFORT BOTH WITHIN FRAMEWORK OF

THE MOBUTU PLAN AND OF THE STABILIZATION PROGRAM TO ASSIST
ZAIRE PROVIDED IT CAN BUILD INTO ITS ACCORDS ON A STANDBY
AND ON IMF SPECIALISTS, THE GUARANTEES ON DOMESTIC REFORMS
IT FEELS ARE ESSENTIAL TO THE SUCCESS OF CURRENT RECOVERY
EFFORTS. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 11 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE062874
Document Source: CORE
Document Unique ID: 00
Drafter: WLSWING:LAR
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780109-0959
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780379/aaaacomp.tel
Line Count: 123
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 78c518c9-c288-dd11-92da-001cc4696bcc
Office: ORIGIN AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 60431
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3360718
Secure: OPEN
Status: NATIVE
Subject: IMF STABILIZATION AGREEMENT AND MOBUTU PLAN
TAGS: EAID, EFIN, CG, BE, US
To: BRUSSELS KINSHASA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/78c518c9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014